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February 7, 2020

VIA ELECTRONIC FILING

The Honorable Jocelyn Boyd
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29211

RE: Friends of the Earth and Sierra Club, Complainant/Petitioner v. South Carolina Electric & Gas Company, Defendant/Respondent
Docket No. 2017-207-E

Request of the Office of Regulatory Staff for Rate Relief to South Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. § 58-27-920
Docket No. 2017-305-E

Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Incorporated for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Incorporated, as May Be Required, and for a Prudency Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans
Docket No. 2017-370-E

(This filing does not involve any change to the retail electric base rates of Dominion Energy South Carolina, Inc.)

Dear Ms. Boyd:

The purpose of this letter is to inform the Public Service Commission of South Carolina ("Commission") that Dominion Energy South Carolina, Inc. ("DESC") and the South Carolina Public Service Authority (together, "V.C. Summer Owners") have entered into a Settlement Agreement with W Wind Down, Co LLC ("Wind Down Co"), Citigroup Financial Products, Inc. and the Plan Oversight Board dated December 31, 2019. The overall effect of the Settlement Agreement concludes another phase of

litigation stemming from the bankruptcy proceeding initiated by Westinghouse Electric Company, LLC ("WEC") in March 2017.

By way of background, the V.C. Summer Owners were parties to an Engineering, Procurement and Construction Agreement, dated May 23, 2008 (as amended, the "EPC Agreement") along with WEC and Stone & Webster, Inc., who agreed to design, engineer, and construct two new AP1000 nuclear reactors at the Virgil C. Summer Nuclear Station located near Jenkinsville, South Carolina (the "Project") for the V.C. Summer Owners. Before WEC finished the Project, it filed bankruptcy thereby adversely impacting the Project. In addition to filing bankruptcy, WEC announced that it would reject the EPC Agreement and cease construction on the Project.

Immediately after WEC filed its bankruptcy case, the United States Bankruptcy Court approved WEC and the V.C. Summer Owners entry into an Interim Assessment Agreement dated March 28, 2017, as amended from time to time ("V.C. Summer IAA"), pursuant to which the V.C. Summer Owners agreed to, among other things: (i) pay certain administrative expenses during the Interim Assessment Period; and (ii) make weekly advances to the debtors during the Interim Assessment Period to cover such administrative expenses, with such advances being deposited into a segregated account maintained by the debtors (the "V.C. Summer IAA Account"). The balance at any time of the V.C. Summer IAA Account, is referred to as the "V.C. Summer IAA Deposits." On August 7, 2017, the V.C. Summer IAA terminated.

Under the V.C. Summer IAA, after the conclusion of the V.C. Summer IAA, WEC and the V.C. Summer Owners agreed to reconcile the use of the V.C. Summer IAA Deposits to ensure that the amounts were used only as permitted under the V.C. Summer IAA.

During the WEC bankruptcy case, the V.C. Summer Owners sold certain of their rights to payment from WEC to a claims purchaser. The claims purchaser is affiliated with Wind Down Co. As part of the sale, the V.C. Summer Owners agreed to reimburse the claims purchaser for certain distributions made by WEC to creditors which result in a reduction of certain mechanics' liens filed against the Project up to \$60 million in the aggregate. The V.C. Summer Owners did not give up the right to receive repayment if the V.C. Summer IAA Deposits were not properly used.

On March 28, 2018, the Bankruptcy Court confirmed WEC's *Modified Second Amended Joint Chapter 11 Plan of Reorganization*, and Wind Down Co became the successor to WEC.

The Honorable Jocelyn Boyd

February 7, 2020

Page 3

The V.C. Summer Owners filed a claim against WEC/Wind Down Co for amounts from the V.C Summer IAA Account and previously paid amounts which were not used in connection with the V.C. Summer IAA. The parties engaged in a reconciliation with respect to claims made by the V.C. Summer Owners. In addition to the reconciliation, Wind Down Co asserted the right to receive the \$60 million reimbursement from the V.C. Summer Owners for satisfied mechanics' liens in connection with the claims purchase.

The parties exchanged information and engaged in a series of telephonic and in-person meetings to compromise and settle all disputes under the V.C. Summer IAA and claims made against the V.C. Summer Owners. Ultimately, the parties agreed to allow Wind Down Co to retain any further amounts in the V.C. Summer IAA Account and mutually release each other from any further monetary claims. Further, Wind Down Co agreed to provide the V.C. Summer Owners with information about the extent of distributions to persons asserting mechanics liens against the Project.¹

By copy of this letter, DESC is informing the South Carolina Office of Regulatory Staff as well as the other parties of record in the above-referenced dockets of the Settlement Agreement with Wind Down Co and others.

If you have any questions, please advise.

Very truly yours,



K. Chad Burgess

KCB/kms

cc: All Parties of Record in Docket No. 2017-207-E
All Parties of Record in Docket No. 2017-305-E
All Parties of Record in Docket No. 2017-370-E
(all vial electronic mail only)

¹ As part of the reconciliation and prior to the execution of the Settlement Agreement, Wind Down Co transferred approximately \$8 million from the V.C. Summer IAA Account to the V.C. Summer Owners. In accordance with the FERC Uniform System of Accounts prescribed for public utilities, as adopted by the Commission, DESC's recorded its 55% ownership share of this payment (approximately \$4.4 million) in Regulatory Liability Account No. 254. DESC intends to apply these proceeds to satisfy any valid lien resulting in liability for DESC.